



MATTHIAS W. BALDWIN, FOUNDER

ANNUAL REPORT
1935

THE
BALDWIN LOCOMOTIVE WORKS
CONSOLIDATED

BOARDS

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TWENTY-FIFTH ANNUAL REPORT

THE
BALDWIN LOCOMOTIVE WORKS

PHILADELPHIA, PA.



CONSOLIDATED WITH

STANDARD STEEL WORKS COMPANY

CRAMP BRASS AND IRON FOUNDRIES COMPANY

BALDWIN-SOUTHWARK CORPORATION

DE LA VERGNE ENGINE COMPANY

THE PELTON WATER WHEEL COMPANY

THE WHITCOMB LOCOMOTIVE COMPANY

THE MIDVALE COMPANY

and

SUBSIDIARIES

December 31, 1935

THE BALDWIN LOCOMOTIVE WORKS

Incorporated under the Laws of the State of Pennsylvania

DIRECTORS

SAMUEL M. VAUCLAIN
SYDNEY E. HUTCHINSON
ARTHUR W. SEWALL
FRANCIS M. WELD
JOSEPH N. EWING
GEORGE H. HOUSTON
EDWARD F. FISHER
THOMAS NEWHALL
JOHN P. SYKES
W. HINCKLE SMITH
LIVINGSTON E. JONES
CONRAD N. LAUER
ROBERT C. SHIELDS

Rosemont, Pa.
Philadelphia
Philadelphia
New York City
Philadelphia
Philadelphia
Detroit
Philadelphia
Philadelphia
Philadelphia
Philadelphia
Philadelphia
Detroit

OFFICERS

SAMUEL M. VAUCLAIN
GEORGE H. HOUSTON
JOHN P. SYKES
ROBERT S. BINKERD
HARRY GLAENZER
CHARLES E. ACKER
CHARLES D. MACGILLIVRAY
CARLOS F. NOYES

Chairman of the Board
President
Vice-President
Vice-President and Director of Sales
Vice-President in Charge of Engineering
Treasurer
Secretary
Comptroller

GENERAL COUNSEL

MORGAN, LEWIS & BOCKIUS
Philadelphia

PLANT AT BALDWIN

EDDYSTONE, PENNSYLVANIA

TRANSFER AGENTS

IN PHILADELPHIA:

Fidelity-Philadelphia Trust Company,
135 South Broad Street

IN NEW YORK:

Bankers Trust Co., 16 Wall Street

REGISTRARS OF STOCK

IN PHILADELPHIA:

The Pennsylvania Company for Insurances on Lives and Granting Annuities,
15th and Chestnut Streets

IN NEW YORK:

Guaranty Trust Company of New York,
140 Broadway

TO THE STOCKHOLDERS:

The following report of the business of your Company for the fiscal year ended December 31, 1935 is submitted on behalf of the Board of Directors. This report includes:

Summary of Operations since 1911.

Consolidated Balance Sheet as of December 31, 1935.

This Balance Sheet shows separately the assets and liabilities of The Midvale Company and of the consolidated Company other than The Midvale Company.

Consolidated Statements of Profit and Loss, Surplus and General Reserves for the year 1935.

Auditors' Report.

A copy of the annual report of The Midvale Company for the year 1935 is being mailed with this report for the further information of the stockholders as to the affairs of that company.

Consolidated sales for 1935, exclusive of intercompany transactions, totalled \$19,462,746.53. Sales of locomotive products amounted to \$6,484,928.30. 67 per cent of the total volume of business was outside of the locomotive field as compared with 77 per cent for the year 1934. Unfilled orders on hand at the end of 1935 totalled \$6,689,081 as compared with \$9,462,712 at the beginning of the year.

The year's operations resulted in a profit of \$499,416.67 before provision for depreciation and interest. From this amount there must be deducted depreciation reserves accrued of \$1,852,409.30 and interest charges accrued of \$1,088,045.41; and there must be added interest accrued upon First Mortgage Bonds held alive in the Sinking Fund. Of the interest of \$1,088,045.41 thus accrued, there was actually paid, interest in the sum of \$133,800 on First Mortgage Bonds outstanding in the hands of the public, and miscellaneous interest of \$6,027.98.

Consolidated sales, sales of locomotive products and profit and loss results before interest and depreciation for the six years from 1930 through 1935 were as follows:

	Consolidated Sales	Sales of Locomotive Products	Profit or Loss before Interest and Depreciation	
1930....	\$49,872,455.61	\$31,026,055.09	\$5,981,268.46	Profit
1931....	20,436,342.75	6,197,035.62	1,181,970.46	Loss
1932....	10,596,859.10	3,034,694.01	1,095,496.48	"
1933....	8,250,319.12	1,037,104.10	870,442.59	"
1934....	14,554,444.98	3,396,733.10	749,302.75	" *
1935....	19,462,746.53	6,484,928.30	499,416.67	Profit#

(* To be comparable with prior years, there should be deducted from the loss here shown, \$157,150 of interest, accrued and not paid when due on November 1st, 1934, upon First Mortgage Bonds held alive in the Sinking Fund. Such interest should be taken up in income. Deducting this amount would leave a loss of \$592,152.75.)

(# To be comparable with years prior to 1934 there should be added to the profit here shown \$321,300 of interest, accrued and not paid when due, upon First Mortgage Bonds held alive in the Sinking Fund. Such interest should be taken up in income. The addition of this amount would increase the indicated profit to \$820,716.67.)

The parent Company's investment in 100,800 shares of the common stock of General Steel Castings Corporation is carried at a net value of \$2,000,000. The original cost of this stock was \$5,002,950 with respect to which a reserve of \$3,002,950 was created in 1934. Since the creation of this reserve, operating losses and fixed charges have further reduced the value of this stock on the books of General Steel Castings Corporation until it is substantially less than the net value here shown.

Collections of current receivables were effected during the year in a satisfactory manner. Further progress in the collection of past due receivables, previously considered questionable, justified a reduction of \$222,000 in the reserves provided in prior years for losses anticipated in these items. This reduction was effected by transfers to general reserves.

Inventories were reduced during the year by about \$2,145,000 due largely to the completion of contracts in progress at the beginning of the year. These inventories were checked throughout by physical count. Raw materials and bulk supplies were priced at the lower of cost or market. Miscellaneous supplies, work in process and finished products were priced at cost or less, a large portion being covered by sales orders at prices in excess of inven-

tory values, the remainder being valued conservatively in the opinion of your officers, by the provision of reserves for losses anticipated from obsolescence.

Consolidated net current assets, after deducting accrued and unpaid interest on the funded debt and the unpaid instalment due to the Sinking Fund for the First Mortgage, were decreased from \$10,203,806.86 on January 1st to \$9,628,652.50 on December 31st. Eliminating these deductions (other than interest accrued on First Mortgage Bonds outstanding in the hands of the public) would increase net current assets on December 31st to \$11,195,500.50. The net current assets of The Midvale Company, included in consolidated net current assets, were increased during the year from \$4,178,850.32 to \$4,814,604.12. The Midvale Company disbursed during the period \$200,000 for dividends, of which the parent Company received \$122,900.

General reserves carried in the sum of \$4,158,414.34 at December 31, 1935 include \$3,599,707.55 remaining of the general reserve created in 1934 for the purpose of effecting adjustments in the book value of certain items of property, plant and equipment and of investments. The final adjustment of these items probably will be made during 1936.

The outlook for the immediate future continues uncertain. The locomotive inventory of Class I railroads has been reduced, largely by demolition, from about 64,000 locomotives at the beginning of 1926 to about 45,500 at the end of 1935. Carloadings, with the resulting motive power requirements, have increased to a place where the reserve of stored, serviceable locomotives is little, if any, greater than it was at the peak of traffic in 1929. There is little question but what a large potential demand has been accumulated, not only through this reduction in the aggregate volume of existing equipment, but also because of its advancing age. More than 91 per cent of this inventory, measured in aggregate tractive power, was installed prior to 1926 and, therefore, is more than ten years of age. It is impossible to say when this potential demand will be released but each increase in carloadings is bringing it nearer. In the meantime this demand is continuing to accumulate.

The demand for Baldwin products other than locomotives has increased each year since 1933. Baldwin's consolidated activities for the year as a whole, outside of its domestic locomotive business, resulted in a net profit after provision for depreciation and all other

charges but before provision for interest on the parent Company's funded debt.

The depletion of the Company's working capital to a point where it was inadequate for operating requirements and for the payment of fixed charges was discussed in the report of last year. Interest upon the First Mortgage Bonds in the hands of the public has been paid on the due dates but interest on the First Mortgage Bonds held in the Sinking Fund and the maturing fixed installment due to the Sinking Fund have not been paid. Interest due on March 1st and September 1st on the Company's Consolidated Mortgage Bonds also has not been paid.

Because of its inability to continue the payment of these fixed charges the parent Company filed a petition on February 25, 1935 in the United States District Court for the Eastern District of Pennsylvania under Section 77B of the Federal Bankruptcy Act. This petition described the Company's assets and liabilities and stated its inability to continue paying its fixed charges and have remaining the cash needed to continue operations. It expressed the Company's desire to effect a plan of reorganization and asked that in the interim the Company be continued as a going concern to afford employment to the substantial number of men making their livelihood thereby; to permit of continued performance of important contracts; to avoid great depreciation in the value of its physical properties; and to maintain its position in the various lines of industry in which it has been so long a leader, the loss of which would cause irreparable damage and injury to its bondholders and stockholders.

As of the same date, namely, on February 25, 1935, the Court entered an Order continuing the Company in possession of its property and authorizing it to continue its operations pending a further Order of the Court. Thereafter, and upon due notice and hearing, the Court entered its Order of March 22, 1935, continuing the Company in possession of its property and in the operation thereof subject to the further Orders of the Court.

Four Protective Committees were organized, two for holders of Consolidated Mortgage Bonds, one for holders of Preferred Stock and one for holders of Common Stock. These committees proceeded, with the Company's officers, to work out a plan of reorganization which would make provision for additional capital, reduce fixed charges both present and future, and otherwise modify the Company's capital structure. After extended negotiations a

plan was agreed upon by all of the Protective Committees and the Company which, it is believed, will accomplish these objectives. This plan was filed with the Court on August 8, 1935, notice to that effect being given to all bondholders and stockholders of record.

By Order of the Court the proposed plan of reorganization was referred to Howard Benton Lewis, Esq., as Special Master, to consider the plan and report to the Court as to whether or not it complied with the provisions of Section 77B. The Special Master filed his report with the Court on December 13, 1935, in which he discussed the plan of reorganization at length, including its effect upon each class of bondholders and stockholders. The Special Master discussed also the testimony developed at the different hearings. In conclusion he stated:

"The sum of the matter is that the Plan is recommended to the Court for preliminary approval, as being fair, equitable, not unfairly discriminatory in favor of any class of the Debtor's creditors and stockholders, feasible, and in accordance with the requirements of the provisions of Section 77B of the Bankruptcy Act of the United States."

No exceptions were filed to this report by any bondholders or stockholders except those filed on behalf of holders of five hundred shares of preferred stock.

The report of the Special Master, together with the exceptions noted, are now before the United States District Court for the Eastern District of Pennsylvania for consideration and Order thereon.

Following such action as the Court may take upon this report, if permitted by the Court, the Company will request the stockholders and bondholders to consider and assent to this plan of reorganization in accordance with the provisions of Section 77B.

We wish to express our appreciation for the support and cooperation during the year of the officers and other members of the organization.

Respectfully submitted,

GEORGE H. HOUSTON,
President.

February 5, 1936.

THE BALDWIN LOCOMOTIVE WORKS

Summary of Operations, July 1, 1911—December 31, 1935

Year	Gross Sales	Profit	Reserves, Etc.	Dividends	Increase In Surplus From Operations For Year	Adjustments	Surplus
1911 (6 mos.)	\$14,589,645.26	\$1,671,419.32	.....	\$900,000.00	\$771,419.32	.....	\$771,419.32
1912	28,924,335.16	3,698,571.44	.....	1,800,000.00	1,898,571.44	.....	2,669,990.76
1913	37,630,969.21	4,017,800.33	.....	1,800,000.00	2,217,800.33	.....	4,887,791.09
1914	13,616,163.36	365,229.92	\$15,000.00	1,800,000.00	1,449,770.08*	.....	3,438,021.01
1915	22,083,011.06	2,867,816.17	40,000.00	1,400,000.00	1,427,816.17	.....	4,865,837.18
1916	59,219,057.99	9,444,641.91	3,960,854.87	1,400,000.00	4,083,787.04	.....	8,949,624.22
1917	98,263,865.33	11,193,840.66	2,888,118.36	1,400,000.00	6,905,722.30	.....	55,346.52
1918	123,179,251.99	18,262,112.05	15,009,816.51	1,400,000.00	1,852,295.54	.....	1,907,642.06
1919	84,307,776.72	8,871,243.30	3,095,000.00	2,100,000.00	3,676,243.30	970,527.60	6,554,412.96
1920	73,542,666.49	8,407,269.75	3,978,751.03	2,800,000.00	1,628,518.72	2,830,505.69	11,013,437.37
1921	49,945,506.24	8,962,273.10	3,918,176.63	2,800,000.00	2,244,096.47	.....	13,257,533.84
1922	33,087,258.62	6,765,514.43	1,538,995.38	2,800,000.00	2,406,519.05	.....	18,930,777.89
1923	102,762,075.28	11,931,521.93	8,215,057.62	2,800,000.00	916,464.31	3,266,725.00	19,847,242.20
1924	26,080,352.27	1,920,026.77	600,000.00	2,800,000.00†	1,320,026.77	2,800,000.00†	18,367,268.97
1925	27,876,064.14	196,563.95	.....	2,800,000.00†	196,563.95	2,800,000.00†	15,763,832.92
1926	47,891,668.91	6,492,422.39	608,515.42	2,800,000.00†	5,883,906.97	2,800,000.00†	18,847,739.89
1927	32,901,143.07	3,705,446.70	1,263,246.87	2,800,000.00†	2,442,199.83	5,437,881.01§	15,852,058.71
1928	22,531,349.44	932,210.96	600,000.00	2,800,000.00†	332,210.96	3,074,377.08||	13,109,892.59
1929°	42,796,587.76	4,651,920.01	1,710,000.00	2,837,629.11†	2,300,462.83	258,420.22	23,431,001.11
1930°	49,872,455.61	5,457,852.50	1,779,456.28	2,831,512.67	205,111.18	70,039.50	23,706,151.79
1931°	20,436,342.75	2,021,151.08*°	1,800,190.00	.....	4,822,759.10*	1,553,758.16	17,329,634.53
1932°	10,596,659.10	2,331,417.12*°	1,846,022.08	700,000.00	4,078,131.96*	139,447.48	13,112,055.09
1933°	8,250,319.12	2,003,896.35*°	1,848,477.80	.....	3,857,743.55*	3,579.24	9,250,732.30
1934°	14,554,444.98	1,602,022.97*°	1,856,233.79	.....	3,698,494.58*	3,534,850.23#	9,087,087.95
1935°	19,462,746.53	79,049.25*°	1,852,409.30	.....	2,119,738.04*	210,700.00	7,178,049.91
	\$1,064,401,916.39	\$111,778,160.82		\$45,569,141.78			

° Consolidated.

° Before Deduction of Subsidiary Company Minority Equities.

* Deficit.

† From Reserves.

‡ For Dividends Subsequent Year.

§ Dividends 1928 and Accumulated Depreciation.

|| Dividends 1929 and Accumulated Depreciation.

Represents increase in Capital Surplus created by reduction in stated value of common stock, less general reserve created in the sum of \$8,000,000 and miscellaneous adjustments.

THE BALDWIN LO

(The Baldwin Locomotive Works, Parent Company, is in Proceedings for Reorganizat

CONSOLIDATED BALANCE S

ASSETS	Consolidated Total	Including Subsidiaries other than Midvale	The Midvale Company
Property, Plant and Equipment.....	\$71,432,427.68	\$59,656,382.97	\$11,776,044.71
Less Reserve for Depreciation.....	25,628,527.29	20,987,997.98	4,640,529.31
	<u>\$45,803,900.39</u>	<u>\$38,668,384.99</u>	<u>\$7,135,515.40</u>
First Mortgage Bond Sinking Fund:			
First Mortgage Bonds and Cash.....	\$7,326,430.24	\$7,326,430.24	—
First Mortgages on Real Estate owned by Company...	300,000.00	300,000.00	—
Receivable from the Company, per contra.....	732,000.00	732,000.00	—
	<u>\$8,358,430.24</u>	<u>\$8,358,430.24</u>	<u>—</u>
Consolidated Mortgage Bond Sinking Fund.....	<u>\$1,191.42</u>	<u>\$1,191.42</u>	<u>—</u>
Investments:			
General Steel Castings Corporation Common Stock (at cost less reserve, \$3,002,950.00).....	\$2,000,000.00	\$2,000,000.00	—
*The Baldwin Locomotive Works Preferred Stock owned by Midvale, 2000 shares at cost (value at market quotation, December 31, 1935, \$77,000.00).....	139,001.75	—	—
The Midvale Company stock at cost less capital distribution.....	—	926,879.38	—
Other Investments (less reserve, \$273,999.00).....	303,271.69	260,766.69	\$42,505.00
	<u>\$2,442,273.44</u>	<u>\$3,187,646.07</u>	<u>\$42,505.00</u>
Notes and Other Credit Instruments and Accounts Re- ceivable not realizable within one year (including past due foreign items, \$2,003,989.92 and less reserve, \$2,226,082.67).....	\$69,491.30	\$54,435.63	\$15,055.67
Current Assets:			
Cash on Deposit and on Hand.....	\$6,165,331.24	\$3,487,542.48	\$2,677,788.76
**Sundry Securities (less reserve, \$461,050.48. Value at market quotations, December 31, 1935, \$527,368.00).	346,602.06	20,027.54	465,576.27
Notes and Other Credit Instruments and Accounts Re- ceivable due in 1936 (less reserve, \$434,449.91).....	1,669,781.08	1,202,018.34	491,378.44
Inventories of Raw Materials, Supplies, Work in Process and Finished Products (less reserve, \$650,663.38)	4,634,910.88	2,566,591.80	2,068,319.08
(Raw materials and bulk supplies are priced at the lower of cost or market. Miscellaneous supplies, work in process and finished products are priced at cost or less, a large portion being covered by sales orders at prices in excess of inventory value, the remainder being valued conservatively, in the opinion of the management, by the provision of reserves considered adequate for losses antici- pated from obsolescence)	<u>\$12,816,625.26</u>	<u>\$7,276,180.16</u>	<u>\$5,703,062.55</u>
Deferred Charges.....	\$181,671.54	\$136,074.61	\$45,596.93
	<u>\$69,673,583.59</u>	<u>\$57,682,343.12</u>	<u>\$12,941,735.55</u>

* Included in Sundry Securities of The Midvale Company.

** Includes \$15,000 par value United States Treasury 1½% Notes at cost of \$15,271.88, deposited by the parent Company to secure the payment, in accordance with the Workmen's Compensation Law of Pennsylvania, of compensation on account of accidents.

Dividends on pr
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September 1

COMOTIVE WORKS

in the District Court of the United States for the Eastern District of Pennsylvania)

HEET, DECEMBER 31, 1935

LIABILITIES	Consolidated Total	Including Subsidiaries other than Midvale	The Midvale Company
First Mortgage 5% Sinking Fund Gold Bonds, due 1940, .. of which \$7,324,000 are in the Sinking Fund	\$10,000,000.00	\$10,000,000.00	—
Five Year 6% Consolidated Mortgage Bonds, due 1938..	\$10,435,600.00	\$10,435,600.00	—
Current Liabilities:			
Notes Payable.....	\$23,251.00	\$23,251.00	—
Accounts Payable.....	688,127.63	411,961.64	\$299,781.69
Advances Received on Sales Contracts.....	316,808.32	25,572.00	291,236.32
Accrued Accounts:			
Payroll, Commissions, etc.....	211,759.94	140,621.27	71,138.67
Taxes.....	358,056.44	270,756.44	87,300.00
Miscellaneous Interest.....	821.43	821.43	—
Interest Accrued on First Mortgage Bonds from No- vember 1, 1935 (other than that accrued on bonds held in the Sinking Fund).....	22,300.00	22,300.00	—
	<u>\$1,621,124.76</u>	<u>\$895,283.78</u>	<u>\$749,456.68</u>
Interest Accrued on Consolidated Mortgage Bonds from September 1, 1935.....	208,712.00	208,712.00	—
Matured Interest due March 1 and September 1, 1935, on Consolidated Mortgage Bonds.....	626,136.00	626,136.00	—
	<u>\$2,455,972.76</u>	<u>\$1,730,131.78</u>	<u>\$749,456.68</u>
Payable to First Mortgage Bond Sinking Fund, per contra:			
Interest on Bonds due November 1, 1934.....	\$157,150.00	\$157,150.00	—
Interest on Bonds due May 1 and November 1, 1935..	321,300.00	321,300.00	—
Fixed payment due May 1, 1935.....	200,000.00	200,000.00	—
Interest Accrued on Bonds from November 1, 1935..	53,550.00	53,550.00	—
	<u>\$732,000.00</u>	<u>\$732,000.00</u>	<u>—</u>
	<u>\$3,187,972.76</u>	<u>\$2,462,131.78</u>	<u>\$749,456.68</u>
General Reserves.....	\$4,158,414.34	\$4,019,541.68	\$138,872.66
Miscellaneous Reserves and Deferred Credits.....	169,247.71	73,504.95	95,742.76
	<u>\$4,327,662.05</u>	<u>\$4,093,046.63</u>	<u>\$234,615.42</u>
Equity of Minority Stockholders in the Capital Stock and Surplus of:			
The Midvale Company, 38.55%.....	\$4,609,679.25	—	—
The Whitcomb Locomotive Company, 8.05%.....	31,319.62	\$31,319.62	—
	<u>\$4,640,998.87</u>		
Capital Stock and Surplus:			
Preferred Stock, 7% Cumulative, \$100 par, Authorized and Issued, 200,000 shares.....	\$20,000,000.00	\$20,000,000.00	—
Common Stock, no par; Authorized, 2,000,000 shares Issued, 1,155,860 ..	11,053,300.00	11,053,300.00	—
(167,140 shares are held for issuance at \$5.00 per share upon exercise of warrants attached to consolidated mortgage bonds)			
Common Stock of The Midvale Company.....	—	—	\$10,574,621.02
Surplus as per annexed statement.....	7,178,049.91	756,945.09	1,383,042.43
	<u>\$38,231,349.91</u>	<u>\$31,810,245.09</u>	<u>\$11,957,663.45</u>
Less Common Stock in Treasury, 50,000 shares.....	1,150,000.00	1,150,000.00	—
	<u>\$37,081,349.91</u>	<u>\$30,660,245.09</u>	<u>\$11,957,663.45</u>
	<u>\$69,673,583.59</u>	<u>\$57,682,343.12</u>	<u>\$12,941,735.55</u>

ferred stock unpaid since July 1, 1931, amounting to \$31.50 per share.

ility for accrued interest resulting from failure to make payments to the First Mortgage Bond
d when due, \$75,846.24, which is offset by a contingent increase of like amount in the Sinking Fund.

ility for accrued interest on unpaid Consolidated Mortgage Bond interest due March 1 and
1935, \$21,914.76.

THE BALDWIN LOCOMOTIVE WORKS

(The Baldwin Locomotive Works, Parent Company, is in Proceedings for Reorganization in the District Court of the United States for the Eastern District of Pennsylvania)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 1935

Sales.....		\$19,462,746.53	
Less:			
Cost of Sales, including Selling, Administrative and General Expenses.....	\$18,666,746.08		
Provision for Depreciation.....	1,852,409.30		
		<u>20,519,155.38</u>	
Operating Loss.....			\$1,056,408.85
Other Income:			
Dividends.....	\$32,590.00		
Interest and Discount.....	365,914.21*		
Miscellaneous.....	87,092.37		
		<u>485,596.58</u>	
Operating Loss less Other Income.....			\$570,812.27
Other Expenses:			
Interest.....	\$1,088,045.41*		
Miscellaneous.....	220,100.87		
Provision for Federal Income Tax.....	52,500.00		
		<u>1,360,646.28</u>	
Loss for the Year.....			\$1,931,458.55
Equity of Minority Stockholders in:			
Net Profit of The Midvale Company.....	\$191,240.65		
Loss of The Whitcomb Locomotive Company.....	2,961.16		
		<u>188,279.49</u>	
Loss Accrued to The Baldwin Locomotive Works Consolidated			<u>\$2,119,738.04</u>

* Each of these amounts includes \$321,300 of interest accrued but not paid on First Mortgage Bonds held in the Sinking Fund.

THE BALDWIN LOCOMOTIVE WORKS

(The Baldwin Locomotive Works, Parent Company, is in Proceedings for Reorganization in the District Court of the United States for the Eastern District of Pennsylvania)

CONSOLIDATED STATEMENT OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1935

	Consolidated Total	Including Subsidiaries other than Midvale	The Midvale Company
Balance January 1, 1935:			
Earned Surplus.....	—	—	\$1,086,957.73
Capital Surplus.....	\$9,087,087.95	\$2,847,927.18	—
 Add:			
Adjustment for amounts added to the Sinking Fund Receivable from the Company shown on the foregoing balance sheet, representing unpaid interest on First Mortgage Bonds in the Sinking Fund, due Novem- ber 1, 1934.....	157,150.00	157,150.00	—
and accrued interest on such bonds for the months of November and December, 1934.....	53,550.00	53,550.00	—
Profit for the Year 1935.....	—	—	496,084.70
	<u>\$9,297,787.95</u>	<u>\$3,058,627.18</u>	<u>\$1,583,042.43</u>
 Deduct:			
Loss for the Year 1935.....	\$2,119,738.04	\$2,301,682.09	—
Dividend Paid.....	—	—	\$200,000.00
Balance at December 31, 1935.....	<u>\$7,178,049.91</u>	<u>\$756,945.09</u>	<u>\$1,383,042.43</u>

THE BALDWIN LOCOMOTIVE WORKS

(The Baldwin Locomotive Works, Parent Company, is in Proceedings for Reorganization in the District Court of the United States for the Eastern District of Pennsylvania)

CONSOLIDATED STATEMENT OF GENERAL RESERVES FOR THE YEAR ENDED DECEMBER 31, 1935

Balance at January 1, 1935.....	\$3,865,984.99
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Add transfers due to:

Decrease in reserves for receivables.....	222,000.00
“ “ “ “ sundry securities.....	100,000.00
“ “ “ “ Federal income tax.....	88,288.46
“ “ miscellaneous reserves.....	30,134.66
	<hr/>
	\$4,306,408.11

Deduct transfers due to:

Increase of reserves for investments.....	\$75,000.00
“ “ “ “ inventory obsolescence.....	72,993.77
	<hr/>
	147,993.77

Balance at December 31, 1935.....	<hr/> \$4,158,414.34
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TO THE BOARD OF DIRECTORS OF
THE BALDWIN LOCOMOTIVE WORKS:

We have examined the accounts of The Baldwin Locomotive Works (in proceedings for reorganization in the District Court of the United States for the Eastern District of Pennsylvania since February 25, 1935) and its subsidiaries, other than The Midvale Company, as at December 31, 1935, and have received certified statements of The Midvale Company prepared by Messrs. Arthur Young & Company.

The inventory of raw materials and bulk supplies is priced at the lower of cost or market, and all other inventory items are priced at cost or lower, as stated more fully in the balance sheet.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of profit and loss, surplus and general reserves set forth correctly in accordance with the explanations therein given, the consolidated financial position of the companies at December 31, 1935, and the results of their operations for the year then ended.

LYBRAND, ROSS BROS. & MONTGOMERY.

PHILADELPHIA, PENNA.

February 4, 1936.

THE BALDWIN LOCOMOTIVE WORKS

DISTRICT SALES MANAGERS UNITED STATES

PHILADELPHIA, PA.	STEWART McNAUGHTON	Eddystone
CHICAGO, ILL.	CHARLES RIDDELL	627 Railway Exchange
NEW YORK, N. Y.	JOSEPH F. HOERNER	120 Broadway
PORTLAND, ORE.	ARTHUR J. BEUTER	721 American Bank Bldg.
ST. LOUIS, MO.	CURTIS G. GREEN	1010 Pine Street
SAN FRANCISCO, CAL.	LATHAM McMULLIN	2910 Russ Building

FOREIGN SALES REPRESENTATIVES AND AGENTS

EDWARD P. WILLIAMS, JR. - FOREIGN SALES MANAGER

AFRICA (SOUTH).....E. M. F. BUILDING,
JOHANNESBURG.....Edmunds Bros. & Marshall

ARGENTINA AND PARAGUAY..CALLE ZEPITA 3139,
BUENOS AIRES, ARGENTINA.....Fiore Co.

AUSTRALIA.....31 REIBY PLACE,
SYDNEY, NEW SOUTH WALES.....R. Towns & Co.
189 KING STREET,
MELBOURNE, VICTORIA.....Newell & Co., Pty., Ltd.
860 HAY STREET,
PERTH, WESTERN AUSTRALIA.....Leslie & Co.

BRAZIL.....RUA MAYRINK VEIGA No. 6,
RIO DE JANEIRO.....Norton, Megaw & Co. Ltd.

CENTRAL AMERICA AND
SOUTH AMERICA.....Clyde G. Pinney
Technical Representative

CHILE AND BOLIVIA.....VALPARAISO, CHILE.....Wessel, Duval & Co. S. A. C.

CHINA.....P. O. Box 265
SHANGHAI.....Andersen, Meyer & Co., Ltd.

FOREIGN REPRESENTATIVES AND AGENTS—(Continued)

COLOMBIA.....	CALLE 16, No. 7-72, BOGOTA.....	TOMAS LOPEZ
CUBA AND JAMAICA.....	APARTADO 43, SAGUA LA GRANDE, CUBA....	Macfarlane Foundry & Honolulu Iron Works S/A
ECUADOR.....	CASILLA DE CORREOS 39, QUITO.....	ANDINO & GONZALES
EUROPEAN CONTINENT (Excluding Russia, Holland and Scandinavia).....	19 RUE FROMENT, PARIS, FRANCE.....	Paul Negrier
GREAT BRITAIN AND HOLLAND	26 VICTORIA STREET, LONDON, S. W. 1.....	Davis & Lloyd
HAWAIIAN ISLANDS.....	J. A. Good P. O. Box 3470, HONOLULU.....	<i>Technical Representative</i> C. Brewer & Co., Ltd.
INDIA, BURMA AND CEYLON..	5 DALHOUSIE SQUARE, CALCUTTA.....	L. Brooke Edwards
JAPAN.....	YAESU BLDG., Room 525, MARUNOUCHI, TOKYO.....	Frazar & Co.
MEXICO.....	2A VENUSTIANO CARRANZA 48, MEXICO CITY, D. F.....	Paul G. Cheatham
NEWFOUNDLAND.....	154 DUCKWORTH STREET, ST. JOHNS.....	WALSH & MARTIN
NEW ZEALAND.....	P. O. Box 366, WELLINGTON.....	Philips & Pike, Ltd.
PERU.....	CALLE SAN JOSÉ 399, LIMA.....	Pedro Martinto
PHILIPPINES.....	MANILA.....	Pacific Commercial Co.
PUERTO RICO AND DOMINICAN REPUBLIC.....	BANK OF NOVO SCOTIA BLDG., SAN JUAN, P. R.....	R. Carrión
PORTUGAL.....	1 AVENIDA 24 DE JULHO, LISBON.....	E. Pinto Basto & Co., Ltd.
SCANDINAVIA.....	TOLDBOGADEN No. 8, OSLO, NORWAY.....	Olay Belsheim
VENEZUELA, TRINIDAD AND LESSER ANTILLES.....	APARTADO 346, MARACAIBO, VENEZUELA.....	T. D. Drew-Bear

STANDARD STEEL WORKS COMPANY

Incorporated under the Laws of the State of Pennsylvania

OFFICERS

SAMUEL M. VAUCLAIN	Chairman of the Board
GEORGE H. HOUSTON	President
JOHN P. SYKES	Vice-President
FRANK K. METZGER	Vice-President and General Manager
CHARLES E. ACKER	Treasurer
CHARLES D. MACGILLIVRAY	Secretary
CARLOS F. NOYES	Comptroller

PLANT

BURNHAM, MIFFLIN COUNTY
PENNSYLVANIA

CRAMP BRASS AND IRON FOUNDRIES COMPANY

Incorporated under the Laws of the State of Delaware

OFFICERS

GEORGE H. HOUSTON	Chairman of the Board
NORRIS H. SCHWENK	President
JAMES J. NELSON	Vice-President
CHARLES E. ACKER	Treasurer
CHARLES D. MACGILLIVRAY	Secretary

BALDWIN-SOUTHWARK CORPORATION

Incorporated under the Laws of the State of Delaware

OFFICERS

SAMUEL M. VAUCLAIN	Chairman of the Board
GEORGE H. HOUSTON	President
JOHN P. SYKES	Vice-President
WILLIAM H. HARMAN	Vice-President and General Manager
CHARLES E. ACKER	Treasurer
CHARLES D. MACGILLIVRAY	Secretary
CARLOS F. NOYES	Comptroller

PLANT AT BALDWIN

EDDYSTONE, PENNSYLVANIA

DE LA VERGNE ENGINE COMPANY

Incorporated under the Laws of the State of New York

OFFICERS

SAMUEL M. VAUCLAIN	Chairman of the Board
GEORGE H. HOUSTON	President
WILLIAM H. HARMAN	Vice-President
CHARLES E. ACKER	Treasurer
CHARLES D. MACGILLIVRAY	Secretary

THE WHITCOMB LOCOMOTIVE COMPANY

Incorporated under the Laws of the State of Delaware

OFFICERS

SAMUEL M. VAUCLAIN	Chairman of the Board
GEORGE H. HOUSTON	President
JOHN P. SYKES	Vice-President
HAROLD H. PERRY	Vice-President
CHARLES E. ACKER	Treasurer
CHARLES D. MACGILLIVRAY	Secretary

PLANT

ROCHELLE, ILLINOIS

THE PELTON WATER WHEEL COMPANY

Incorporated under the Laws of the State of California

OFFICERS

GEORGE H. HOUSTON	Chairman of the Board
WILLIAM H. HARMAN	Vice-Chairman of the Board
EVERETT M. BREED	President
W. HORACE HOLCOMB	Vice-President
CHARLES E. ACKER	Treasurer
CHARLES D. MACGILLIVRAY	Secretary

PLANT

SAN FRANCISCO, CALIFORNIA

THE MIDVALE COMPANY

Incorporated under the Laws of the State of Delaware

DIRECTORS

FRANCIS BRADLEY	Philadelphia
HARRY L. FREVERT	Philadelphia
STUART HAZLEWOOD	Philadelphia
GEORGE H. HOUSTON	Philadelphia
SYDNEY E. HUTCHINSON	Philadelphia
JAMES M. MILLIKEN	Philadelphia
THOMAS NEWHALL	Philadelphia
ARTHUR W. SEWALL	Philadelphia
W. HINCKLE SMITH	Philadelphia
JOHN P. SYKES	Philadelphia
SAMUEL M. VAUCLAIN	Rosemont, Pa.
JOSEPH WAYNE, JR.	Philadelphia

OFFICERS

GEORGE H. HOUSTON	Chairman of the Board
HARRY L. FREVERT	President
FRANCIS BRADLEY	Vice-President
STUART HAZLEWOOD	Vice-President in charge of Sales
CHARLES D. MACGILLIVRAY	Secretary
JAMES M. MILLIKEN	Treasurer and Assistant Secretary

PLANT

NICTOWN, PHILADELPHIA

